GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1924
ANSWERED ON:24.08.2007
DUTY EVASION OF FOREIGN COMPANIES
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Will the Minister of FINANCE be pleased to state:

(a) whether some foreign companies have evaded tax to the tune of crores of rupees as reported in the `Navbharat Times` dated August 13, 2007;

(b) if so, the details thereof and the modus operandi adopted by the companies for tax evasion;

(c) whether the Income Tax Department has issued notices to such companies;

(d) if so, the details thereof; and

(e) the steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) and (b): The declared income of foreign companies is subjected to scrutiny under the provisions of the Income-tax Act. As a result of such scrutiny, additions to the total income have been made in some cases of foreign companies. The additional taxes demanded and outstanding from such foreign companies as on 31st July, 2007 is to the tune of Rs.8,020 crore.

Additions to the total income emanate from taxability of certain incomes on the ground of there being permanent establishment, disallowances of expenses and differences with regard to the interpretation of tax treaties. Certain adjustment to the income have also been made on account of transfer pricing regulations.

(c) to (e): The Income Tax Department has issued notices in all such cases for payment of additional tax demand in accordance with the provisions of the Income-tax Act. Appropriate action under the law is undertaken to recover the outstanding demand.